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SIPDIS

SENSITIVE

PASS FEDERAL RESERVE

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STATE FOR E, EB, EUR/WE

TREASURY FOR DO/IM SOBEL, RHARLOW, LHULL

TREASURY ALSO FOR DO/IMB AND DO/E WDINKELACKER

LABOR FOR ILAB - WBRUMFIELD

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E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [FR](#)

SUBJECT: BANKERS SHARE DISCONTENT

SENSITIVE BUT UNCLASSIFIED, NOT FOR INTERNET

[1](#)1. (SBU) SUMMARY: Several senior French bankers have emphasized to the Ambassador their frustration at the slow pace of French structural reforms, albeit with grudging admiration for the efforts of Finance Minister Breton. They forecast continued weak GDP growth in 2006, and note the importance of 2007 elections for France's economic future. END SUMMARY.

[1](#)2. (U) On December 12, the Ambassador met with BNP Bank CEO Baudouin Prot, and on December 13, with Lazard Bank President Bruno Roger, to discuss the banking sector, the economy, and the political landscape. In France, the banking sector is dominated by six banks, of which BNP is one of the leaders in the retail banking sector, and Lazard in investment banking. BNP Paribas is the largest French bank and the second largest Euro-zone bank in terms of market capitalization. In 2004 it ranked 48th on Fortune Magazine's list of the world's 500 largest companies, above Deutsche Bank, Bank of America, UBS, and JP Morgan. It gained notoriety for its role in the UN oil-for-food program for Iraq. BNP has an important U.S. presence in the western U.S. and Hawaii.

[1](#)3. (SBU) For BNP, CEO Prot noted that 2007 elections in France are crucial to the pace of future reform and economic growth. Prot had grudging praise for Finance Minister Thierry Breton's efforts, particularly his "excellent proposal" to reduce France's wealth tax to 40 percent and cut other taxes. Reform efforts overall are constrained by the current political situation, however, and France must vote for reform in 2007. Like many of our senior business contacts, Prot believes that Nicolas Sarkozy offers the best hope for change. In Prot's view, "economic patriotism" should mean market-oriented economic policies that bring growth.

[1](#)4. (SBU) Lazard President Roger expressed disappointment with the Chirac government, noting that he should have capitalized on his overwhelming victory to push through needed reforms. For Roger, the number one priority is labor reform, specifically to undo the 35-hour workweek. Tax reforms, and reduction of the size of the French government, are also needed to stimulate French GDP growth rates beyond the 1.5% forecast for 2005.

[1](#)5. (SBU) For the banking industry in particular, the recent decision by the European Central Bank (ECB) to raise interest rates casts a shadow over growth prospects. Roger commented that he has known Jean-Claude Trichet, the ECB Chair, for a long time, and had invited him to lunch a few weeks ago to try to dissuade him from raising interest rates, but Trichet has a deeply ingrained contrary streak. The ECB is obsessed with inflation fears, due to the rise in energy prices, and so growth throughout Europe is certain to suffer as a result.

[1](#)6. (SBU) Regarding the political landscape, Roger appeared not too concerned about whether the left would return to power in 2007, arguing that despite their public pronouncements, all the potential political candidates would follow more or less the same economic policies.

BIO NOTES:

[1](#)7. (SBU) Baudouin Prot (DOB 24 May 1951) has been CEO for BNP Paribas since March 2000, when he was first elected to BNP's Board of Directors. He is also a Director of Pchiney Veolia Environnement, a member of the Supervisory Boards of Pinault-Printemps-Redoute and Cetelem, and the permanent representative of BNP Paribas on the Board of Accor. He speaks English well, if not fluently, and has an American

spouse. He is well-disposed towards the United States, and a believer in France's European future.

18. (SBU) Bruno Roger, (PDOB August 6, 1933; Boulougne-Billancourt France), joined Lazard in 1954. He has been President of Banque Lazard Freres since 2002; Managing Director and member of the Global Executive Counsel of Lazard LLC in New York since 2000; and Co-President of the European Board of Directors as well as Chairman of the Global Investment Bank of Lazard since 2005. Within the Lazard Group, he is a member of the Supervisory Board of Eurazeo (having been Chairman until July 2003). He is also a Director of Cap Gemini Ernst & Young and of Sofina (Belgium), and a member of the Supervisory Boards of AXA and Pinault Printemps Redoute. He completed his term on the Board of Directors of Saint-Gobain in 2005. He is widowed from his first wife, Madeleine Simon, with whom he had two children. He remarried in 1996 to Martine Aublet. He speaks fluent English. He appears to be in relatively frail health, and so our guess is that he probably will not remain at the helm of Lazard Bank very much longer.
STAPLETON#